

Income Tax

not know whether he was present when I answered the question by the Hon. Member for Mississauga South dealing with the offshore trusts. We do not believe that the example he used is one that will be found to be supported as a valid method of avoiding the provisions of the Act.

Mr. Bosley: Mr. Chairman, this is an important point. I would like to ask the Minister if he can tell me, since the vehicle is to appoint a trustee in an offshore country and for that trustee to acquire the annuity on behalf of the trust, how that is illegal under Canadian law?

Mr. Cosgrove: Mr. Chairman, the Hon. Member and I as Minister would have to have legal advice on that matter.

Mr. Bosley: Mr. Chairman, has the Minister had legal advice to confirm that what he is saying is correct, that it is not legal?

Mr. Cosgrove: Mr. Chairman, the matter is being explored by the Department.

Mr. Bosley: Mr. Chairman, this is specifically important because, as the Minister may know, there is a company in the Bahamas, Casuarina, which has since the budget of November, 1981—or certainly since 1981—attracted \$80 million of Canadian investment money to that jurisdiction precisely to avoid—avoid is an unfair word, Mr. Chairman—but precisely because of the treatment proposed in this legislation.

My question to the Minister is, is the Minister saying that Canadians who have shipped money to the Bahamas to be invested in that trust vehicle, in that company, to avoid the accrual effect that this Bill proposes on annuities, have broken the law of Canada?

Mr. Cosgrove: The Department is looking into it, Mr. Chairman, and it is possible.

Mr. Bosley: Mr. Chairman, my final question is this. Will the Minister make sure that the House sees that information as to whether or not it is illegal. If it is not illegal, as many Canadians and Canadian experts believe it is not, if it finally turns out to be the case that this method of sheltering annuity investment is legal, bona fide and proper, which will mean that this method will be used increasingly by Canadians to ship money out of this country, will the Minister undertake to reverse the provision in this Clause?

Mr. Cosgrove: The question is entirely hypothetical, Mr. Chairman.

Mr. Darling: Mr. Chairman, if I could follow the question which I put earlier this morning regarding the single-premium insurance policies which would be taken out by an individual and made payable to a recognized charity, the Minister informed me that in this case there would be no tax collected

on this premium. Since that statement was made, I have been informed that even though the original policyholder would not have to pay tax, the beneficiary, the charitable institution, would have to declare the income each year, beginning from the year that the policy was issued, even although no money was, obviously, received. Is this correct?

Mr. Cosgrove: No, Mr. Chairman. I would like to reassure the Hon. Member that the information that he has received is inaccurate. I can only repeat that the charity is exempt under Section 149.

Mr. Darling: Mr. Chairman, do I understand then that there will be no money paid by the policyholder nor will the recognized charity have to declare part of the premium as income each year?

Mr. Cosgrove: That is correct, Mr. Chairman. That is again providing, as I have indicated, that there is a transfer in ownership to the charity.

Mr. Blenkarn: Mr. Chairman, the Minister mentioned, in reply to the Hon. Member for Don Valley West, that the Government was looking into the legality of certain trusts that had already been set up to avoid the accrual rules in this Bill. The Member for Don Valley West mentioned a trust called Casnarina that is deliberately advertising and collecting Canadian savings and has since November, 1981 collected at least \$80 million of Canadian savings to avoid the very rules we are now discussing. The Minister has said that the Department is looking into the matter and has an opinion, or is in the process of having an opinion. Will the Minister undertake, prior to three o'clock, to deliver to this side and to the House the details of that opinion?

Mr. Cosgrove: Mr. Chairman, the difficulty in answering the question is that I am advised that the company referred to has been doing this kind of advertising regarding trusts for the last six years. It does not spring from this budget at all.

The Deputy Chairman: Order, please. It being one o'clock, it is my duty to rise, report progress and request leave to consider the Bill later this day.

Progress reported.

The Acting Speaker (Mr. Blaker): It being one o'clock, I do now leave the chair until two o'clock this afternoon.

At 1 p.m. the House took recess.

AFTER RECESS

The House resumed at 2 p.m.